

House File 596 - Reprinted

HOUSE FILE 596
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 217)

(As Amended and Passed by the House March 28, 2011)

A BILL FOR

1 An Act exempting business entities located in small cities or
2 adjacent to small cities, and formed by local development
3 corporations, from certain security regulations.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15E.25 Definitions.

2 As used in this division:

3 1. "*Business company*" means any of the following:

4 a. A limited liability company that is formed and operates
5 under chapter 489.

6 b. A business corporation that is formed and operates under
7 chapter 490.

8 2. "*Local community*" means a city having a population of two
9 thousand or less according to the certified federal census and
10 an area which is within ten miles from the corporate limits of
11 such city, so long as the area is not located within another
12 city.

13 3. "*Local development corporation*" means a nonprofit
14 corporation organized under chapter 504 or another corporation
15 which qualifies under 26 U.S.C. § 501(c)(3) as an organization
16 exempt from taxation, if all of the following apply:

17 a. The exclusive purpose of the corporation is to promote
18 economic development initiatives in a local community.

19 b. The principal office of the corporation is located in the
20 same local community as provided in paragraph "a".

21 c. The corporation has a minimum of twenty-five members with
22 at least seventy-five percent of its directors and officers
23 residing or doing business in the same local community as
24 provided in paragraph "a".

25 Sec. 2. NEW SECTION. 15E.26 Qualified business company.

26 A business company is a qualified business company for
27 purposes of this division as long as it complies with the
28 following requirements:

29 1. The business company must be formed pursuant to a
30 resolution adopted by the board of directors of the local
31 development corporation. The board must appoint one or more
32 individuals to serve as the following, as applicable:

33 a. An organizer of the limited liability company if the
34 business company is a limited liability company.

35 b. An incorporator of the business corporation if the

1 business company is a business corporation.

2 2. The ownership of the business company is restricted as
3 follows:

4 a. For a limited liability company, all of the following
5 apply:

6 (1) At least eighty percent of all outstanding membership
7 interests in the limited liability company must be held by
8 individuals who reside in the local community.

9 (2) The limited liability company is not formed and does not
10 operate under chapter 489, article 12.

11 (3) (a) Seventy-five percent of all members must reside
12 in the local community if the limited liability company is
13 member-managed.

14 (b) Seventy-five percent of all managers must reside
15 in the local community if the limited liability company is
16 manager-managed.

17 b. For a business corporation, all of the following apply:

18 (1) At least eighty percent of all outstanding shares in the
19 business corporation must be held by individuals who reside in
20 the local community.

21 (2) The business corporation only issues common shares. The
22 business corporation shall not issue multiple classes of shares
23 or multiple series of shares within a class.

24 (3) Seventy-five percent of all directors and seventy-five
25 percent of all officers must reside in the local community.

26 3. The business company does not receive more than a
27 total of two hundred fifty thousand dollars from any of the
28 following:

29 a. Contributions made by individuals when they agree to
30 become initial members of the limited liability company.

31 b. Payments made by individuals for shares when the business
32 corporation initially issues shares.

33 4. The business company's principal place of business is
34 located in the local community.

35 5. The certificate of organization of a limited liability

1 company or the articles of incorporation of a business
2 corporation, as applicable, must include all of the following
3 restrictions:

4 a. For a limited liability company:

5 (1) A membership interest cannot be transferred to another
6 individual who does not reside in the local community without
7 the written consent of the members or managers of the limited
8 liability company.

9 (2) The limited liability company may purchase or acquire
10 a member's interest from an individual who no longer resides
11 in the local community.

12 b. For a business corporation:

13 (1) Shares cannot be transferred to another individual who
14 does not reside in the local community without the written
15 consent of the board of directors of the business corporation.

16 (2) The business corporation may purchase or acquire
17 shares from an individual who no longer resides in the local
18 community.

19 Sec. 3. NEW SECTION. 15E.27 Exemptions for certain security
20 laws.

21 The securities of a qualified business company, as provided
22 in section 15E.26, are exempt from the requirements of chapter
23 502, to the extent provided in section 502.201.

24 Sec. 4. Section 502.201, Code 2011, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 9F. *Qualified business company.* Any
27 security issued by a qualified business company, as provided in
28 section 15E.26, which meets the requirements of chapter 15E,
29 division IV.